

VULAMEHLO MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2006

	Note	2006	2005
		R	R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		13,413,389	15,227,379
Reserves	1	13,413,389	15,227,379
RETAINED SURPLUS		2,296,446	1,515,952
LONG TERM LIABILITIES	2	72,999	110,687
		<u>15,782,835</u>	<u>16,854,018</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	3	86,905	121,348
LONG TERM DEBTORS	4	21,239	32,411
		<u>108,144</u>	<u>153,760</u>
NET CURRENT ASSETS		15,674,691	16,700,259
CURRENT ASSETS		17,309,700	17,543,057
Debtors and Deposits	5	1,012,223	106,484
Short Term Call Deposit		10,822,560	10,243,989
Cash and Bank		5,474,917	7,192,584
CURRENT LIABILITIES		1,635,009	842,798
Provisions	6	388,411	280,897
Creditors and Deposits	7	1,206,971	511,858
Bank overdraft		275	0
Loans : short term portion	2	39,352	50,043
		<u>15,782,835</u>	<u>16,854,018</u>

M H ZULU
MUNICIPAL MANAGER

28 AUGUST 2006

H MAHOMED
CHIEF FINANCIAL OFFICER

QUALIFICATION : B Com. (Hons) AIMFO SAIPA
EXPERIENCE : Six Years

VULAMEHLO MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006	2005
		R	R
CASH RETAINED FROM (UTILISED BY) OPERATING ACTIVITIES:		1,522,738	4,553,953
Cash generated from (utilised by) operations	11	1,168,730	5,028,085
Investment income		578,571	428,414
(Increase)/decrease in working capital	12	-210,625	-888,609
		1,536,675	4,567,890
Less : External interest paid		-13,937	-13,937
Cash available from (utilised by) operations		1,522,738	4,553,953
Net cash contributed from the public and State		0	0
Net proceeds on disposal of fixed assets		0	0
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in Fixed Assets		-2,624,902	-1,532,161
NET CASH INFLOW (OUTFLOW)		-1,102,164	3,021,792
CASH EFFECTS OF FINANCING ACTIVITIES:			
Increase/(decrease) in long term loans	13	-37,688	147,187
Increase/(decrease) in short term loans	14	-10,691	50,043
(Increase)/decrease in cash investments	15	1,142,896	-3,219,022
(Increase)/decrease in cash	16	-3,800	0
Increase/(decrease) in bank overdraft	17	275	0
(Increase)/decrease in long term debtors		11,172	0
		1,102,164	-3,021,792

VULAMEHLO MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2005	2005	2005	Note	2006	2006	2006	2006
Actual Income	Actual Expenditure	Surplus/ (Deficit)		Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budget Surplus/ (Deficit)
R	R	R		R	R	R	R
<u>18,478,533</u>	<u>16,790,912</u>	1,687,621	GENERAL SERVICES	<u>23,662,914</u>	<u>24,696,409</u>	-1,033,495	<u>0</u>
		1,687,621	Net surplus/(deficit) for the year			-1,033,495	
		-1,121,111	Transfer (to) from Reserves			1,813,989	
		<u>949,442</u>	Accumulated surplus/(deficit) beginning of year			<u>1,515,952</u>	
		<u>1,515,952</u>	ACCUMULATED SURPLUS/(DEFICIT) AT END OF THE YEAR			<u>2,296,446</u>	

VULAMEHLO MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	R	R
1. RESERVES		
Reserves consist of :		
Violence Damaged Houses Grant	164,800	957,717
Burial Assistance Grant	53,819	58,090
Local Government Finance Management Grant	123,123	192,438
Equitable Share	7,840,564	10,661,288
Integrated Development Plan Review Grant	35,926	192,433
IDP Grant	60,371	230,000
Local Government Transition Fund	208,266	228,442
Capacity Support Grant	119,478	119,478
Free Basic Services Grant	172,813	172,813
Ugu Municipal Systems Improvement Grant	720,812	129,422
Municipal Capacity Building Framework	475,000	375,000
Implementation of MFMA Grant	141,395	45,000
Municipal Assistance Programme Grant (MAP)	1,280,242	900,000
Community Initiative Communication Grant	0	1,082
Property Rates Grant	63,125	63,125
Inter-Departmental Monitoring Grant	100,000	60,000
Kwaqiko Execution Rock Development Grant	0	415,079
Land Use Management Systems Grant (LUMS)	180,000	140,000
DLGTA - Anti-corruption Grant	134,500	134,500
Amahwaqa Housing Project Development Grant	37,803	93,340
Johnny Area Community Gardens Grant	14,916	28,907
Mjunundu Community Gardens Grant	12,870	29,224
Homeowners Ploughing Assistance Programme	41,667	0
CDW Grant	12,778	0
Umdumezulu / Isimahla Rural Housing Project	131	0
HIV/AIDS - DRUM	2,974	0
Project Consolidate	180,300	0
MDCBP Grant	194,000	0
PMS Grant	30,000	0
Property Rates Valuation Roll Grant	170,000	0
GIS Grant	175,000	0
LGWSETA Grant	32,048	0
Peanut Butter Project Grant	25	0
LED Strategy Grant	777	0
DBSA Grant	231,440	0
Municipal Infrastructure Investment Programme	312,000	0
MIG	90,425	0
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	13,413,389	15,227,379

VULAMEHLO MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (continued)

	2006	2005
	R	R
2. LONG TERM LIABILITIES		
Lease Commitments	112,351	160,731
	112,351	160,731
Less : Current portion transferred to Current liabilities	39,352	50,043
Lease Commitments	39,352	50,043
	<u>72,999</u>	<u>110,687</u>

(Refer to appendix B for more details on long term liabilities)

3. FIXED ASSETS

Fixed assets at the beginning of the year	5,302,621	3,770,460
Capital expenditure during the year	2,624,902	1,532,161
Less : Assets written off, transferred or disposed of during the year	-31,107	0
Total fixed assets	7,896,416	5,302,621
Less : Loans Redeemed and Other Capital Receipts	-7,809,510	-5,181,273
Net fixed assets	<u>86,905</u>	<u>121,348</u>

(Refer to appendix C and section 2 of the Chief Financial Officers
Report for more details on fixed assets)

VULAMEHLO MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (continued)

	2006	2005
	R	R
4. LONG TERM DEBTORS		
Long term debtors consist of deferred finance charges in respect of finance leases.	21,239	32,411
5. DEBTORS & DEPOSITS		
Sundry Debtors	3,429,349	2,523,610
Deposits Held	3,450	3,450
	3,432,799	2,527,060
Less : Provision for Doubtful Debts	-2,420,576	-2,420,576
	1,012,223	106,484
As the municipality is currently being considered for de-registration for Value Added Tax, by the South African Revenue Services, all input tax previously claimed by the municipality, may not be recovered from the South African Revenue Services, hence the provision for doubtful debts.		
6. PROVISIONS		
Leave provision	388,411	280,897
Audit fee provision	0	0
	388,411	280,897
7. CREDITORS		
Trade creditors	631,026	39,169
Other	575,945	472,689
	1,206,971	511,858
8. AUDITORS REMUNERATION		
Audit fees	175,992	106,603

VULAMEHLO MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (continued)

	2006	2005
	R	R
9. FINANCE TRANSACTIONS		
Total interest earned or paid:		
Interest earned	578,571	428,414
Capital charges debited to operating account:		
Interest : External	13,937	13,937
Redemption : External	34,443	27,528
	48,380	41,465
10. APPROPRIATIONS		
Appropriation account		
Accumulated surplus at the beginning of the year	1,515,952	949,442
Operating (deficit)/surplus for the year	-1,033,495	1,687,621
	482,457	2,637,063

VULAMEHLO MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (continued)

	2006	2005
	R	R
11. CASH GENERATED BY OPERATIONS		
(Deficit)/surplus for the year	-1,033,495	1,687,621
Adjustments in respect of:		
Previous years' operating transactions	0	-35,290
Appropriations charged against income:	2,732,416	3,762,703
Loan redemption fund	0	0
Fixed assets	2,624,902	1,349,664
Provisions and reserves	107,514	2,413,039
Capital charges:		
Interest paid on external funds	13,937	13,937
Redemption: of external loans	34,443	27,528
Investment income	-578,571	-428,414
	<u>1,168,730</u>	<u>5,028,085</u>
12. (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase)/decrease in debtors	-905,739	-1,352,813
Increase/(decrease) in creditors	695,113	464,204
	<u>-210,625</u>	<u>-888,609</u>
13. INCREASE/(DECREASE) IN LONG TERM LOANS (EXTERNAL)		
Loans raised	0	197,230
Loans repaid	-37,688	-50,043
	<u>-37,688</u>	<u>147,187</u>
14. INCREASE/(DECREASE) IN SHORT TERM LOANS (EXTERNAL)		
Loans repaid	-10,691	50,043
	<u>-10,691</u>	<u>50,043</u>
15. (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENT		
Investments made	1,142,896	-3,219,022
	<u>1,142,896</u>	<u>-3,219,022</u>

VULAMEHLO MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (continued)

	2006	2005
	R	R
16. (INCREASE)/DECREASE IN CASH ON HAND		
Cash balance at the beginning of the year	1,200	1,200
Less : Cash balance at the end of the year	-5,000	-1,200
	-3,800	0
17. INCREASE/(DECREASE) IN BANK OVERDRAFT		
Bank overdraft at beginning of the year	0	0
Less : Bank overdraft at the end of the year	275	0
	275	0
18. COUNCIL'S GENERAL		
Speaker	89,069	59,625
Mayor	117,689	92,000
Deputy Mayor	99,960	76,153
Executive Committee	172,668	153,197
Councillors	899,730	587,093
	1,379,115	968,068
19. GRANT EXPENDITURE		
Grant expenditure consists of :		
Violence Damaged Houses Grant	792,917	800,219
Local Government Finance Management Grant	319,315	57,562
IDP Grant	199,629	100,000
Implementation of MFMA Grant	3,605	0
Equitable Share	6,071,296	4,220,817
Integrated Development Plan Review Grant	156,506	8,950
Local Government Transition Fund Grant	20,176	1,237,958
Free Basic Services Grant	0	23,334
Capacity Support Grant	0	119,162
Burial Assistance Grant	4,271	33,141
Municipal Assistance Programme Grant (MAP)	409,758	0
Amahwaqa Housing Project Development Grant	55,537	0
Ugu Municipal Systems Improvement Grant	142,609	100,578
Community Initiative Communication Grant	1,082	48,918
Vulamehlo Youth Council Grant	0	5,000
Kwaqiko Execution Rock Development Grant	665,079	709,921
People's Housing Project Grant	1,329,550	560,000
Johnny Area Community Gardens Grant	13,991	111,874
Mjunundu Community Gardens Grant	16,355	111,557
CDW Grant	71,222	0
Umdumezulu / Isimahla Rural Housing Project	2,685,169	0
HIV/AID - DRUM	2,028	0
Project Consolidate	1,869,700	0
MDCBP Grant	6,000	0
Peanut Butter Project Grant	107,360	0
LED Strategy Grant	43,372	0
MIG	209,575	0
	15,196,102	8,248,991

VULAMEHLO MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (continued)
2006

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20. CAPITAL COMMITMENTS

There are no capital commitments.

21. CAPITAL DEVELOPMENT FUND

The municipality presently does not contribute towards a Capital Development Fund.

22. RELATED PARTY TRANSACTIONS

During the year under review, the following related party transactions were entered into.
All Councillors declared their interest in these contracts before they were approved.

Company	Councillor	Nature of Transactions	Amount
Kusabelele Investments	W T Dube	Construction	4,422.65
Ntshebe's Investment CC	B W Ngobese	Construction	69,387.17
Mepho's Investments CC	T P Phetha	Construction	7,870.17
Abaphumeleli Trading 127 CC	S M Gumede	Construction	6,987.30
Ukukhanya Construction	B C Mqadi	Construction	1,443.00

23. RETIREMENT BENEFITS

- 23.1 The results of the last interim actuarial valuation of the Natal Joint Municipal Pension Fund (Retirement Fund) which covered a triennial period to 31 March 2005 revealed that the fund had a shortfall of R202.9 million. This shortfall will be taken into account in determining future surcharges, which will be met by increased employer contributions.
- 23.2 The last interim actuarial valuation of the Natal Joint Municipal Pension Fund (Superannuation Fund) which was done at 31 March 2005 revealed that the fund had a shortfall of R224.7 million. This shortfall will be taken into account in determining future surcharges, which will be met by increased employer contributions.
- 23.3 The last actuarial valuation of the Natal Joint Municipal Pension Fund (Provident Fund) which was done at 31 March 2005, indicated that the fund is in a sound financial position.

24. REMUNERATION OF SENIOR MANAGERS

Municipal Manager	713,621
Chief Financial Officer	476,357
Director : Corporate Services	521,688
Director : Technical Services	451,469
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	2,163,135
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VULAMEHLO MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006 (continued)

2006	2005
R	R

25. BANK, AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

First National Bank - Port Shepstone

Account Number 620 2610 4901 (Primary Bank Account):

Cash book balance at beginning of year

Cash book balance at end of year

7,191,384	7,902,456
5,469,500	7,191,384

Bank statement balance at beginning of year

Bank statement balance at end of year

8,303,393	7,902,456
5,675,674	8,303,393

Account Number 620 8672 8642 (Gijima Account):

Cash book balance at beginning of year

Cash book balance at end of year

0	0
418	0

Bank statement balance at beginning of year

Bank statement balance at end of year

0	0
418	0

Account Number 620 9499 0928 (Gijima Account):

Cash book balance at beginning of year

Cash book balance at end of year

0	0
-275	0

Bank statement balance at beginning of year

Bank statement balance at end of year

0	0
-275	0

APPENDIX A

VULAMEHLO MUNICIPALITY

ACCUMULATED FUNDS, RESERVES AND PROVISIONS

	Balance at 30/06/2005	Contributions during the year	Interest on investments	Other income	Expenditure during the year	Balance at 30/06/2006
	R	R	R	R	R	R
PROVISIONS						
Audit fee provision	0	0	0	0	0	0
Doubtful debt provision	2,420,576	0	0	0	0	2,420,576
Leave provision	280,897	260,740	0	0	153,226	388,411
	<u>2,701,473</u>	<u>260,740</u>	<u>0</u>	<u>0</u>	<u>153,226</u>	<u>2,808,987</u>

APPENDIX B

VULAMEHLO MUNICIPALITY

EXTERNAL LOANS AND INTERNAL ADVANCES

	Interest rate	Loan number	Redeemable	Loan authority expires	Balance at 30/06/2005 R	Received during the year R	Redeemed or written off during the year R	Balance at 30/06/2006 R
EXTERNAL LOANS								
Lease Commitments								
Bankfin	13.921%		Annually	01-09-2006	14,733	0	11,881	2,852
WesBank	14.745%		Annually	27-05-2009	145,998	0	36,499	109,499
					160,731	0	48,380	112,351
					160,731	0	48,380	112,351

(Refer to note 2)

APPENDIX C

VULAMEHLO MUNICIPALITY

ANALYSIS OF FIXED ASSETS

Expenditure 2005		Budget 2006	Balance at 30/06/2005	Expenditure 2006	Written off transferred redeemed or disposed of during the year	Balance at 30/06/2006
R		R	R	R	R	R
GENERAL SERVICES						
1,532,161	General	850,000	5,302,621	2,624,902	31,107	7,896,416
1,532,161	TOTAL FIXED ASSETS	850,000	5,302,621	2,624,902	31,107	7,896,416
LESS: LOANS REDEEMED AND OTHER CAPITAL RECEIPTS						
			5,181,273	2,659,344	31,107	7,809,510
	Loans redeemed and advances paid		52,123	34,443	0	86,566
	Contributions ex operating income		0	0	0	0
	Grants and Subsidies		5,129,150	2,624,902	31,107	7,722,945
	Contributions from Local Authority		0	0	0	0
NET FIXED ASSETS						
			121,348	-34,443	0	86,905

APPENDIX D

VULAMEHLO MUNICIPALITY

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2006

2005	Note	2006	2006
Actual		Actual	Budget
R		R	R
INCOME			
17,918,989		22,882,420	37,576,796
124,105		108,426	104,000
7,025		93,497	12,000
428,414	9	578,571	400,000
<u>18,478,533</u>		<u>23,662,914</u>	<u>38,092,796</u>
EXPENDITURE			
3,256,081		4,121,472	5,015,116
3,947,548		2,655,960	2,806,666
186,295		311,450	338,656
968,068	18	1,379,115	1,457,877
8,248,991	19	15,196,102	27,624,480
41,465	9	48,380	0
0		723,190	850,000
142,463		260,740	0
<u>16,790,912</u>		<u>24,696,409</u>	<u>38,092,796</u>
<u>1,687,621</u>	NET SURPLUS (DEFICIT) FOR THE YEAR	<u>-1,033,495</u>	<u>0</u>

APPENDIX E

GENERAL SERVICES

			Note				
2005	2005	2005		2006	2006	2006	2006
Actual Income	Actual Expenditure	Surplus/ (Deficit)		Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budget Surplus/ (Deficit)
R	R	R		R	R	R	R
GENERAL SERVICES							
<u>18,478,533</u>	<u>16,790,912</u>	1,687,621	General	<u>23,662,914</u>	<u>24,696,409</u>	-1,033,495	<u>0</u>
		1,687,621	Net surplus/(deficit) for the year			-1,033,495	
		-1,121,111	Transfer (to) from Reserves	1			1,813,989
<u>949,442</u>			Accumulated surplus/(deficit) beginning of year			<u>1,515,952</u>	
		1,515,952	ACCUMULATED SURPLUS/(DEFICIT) AT END OF THE YEAR			2,296,446	